

**LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)**

Fiscal Year 2009 Legislative Report

Submitted to:

The Joint Committee on Telecommunications, Utilities, and Energy

Massachusetts General Court

October 1, 2009

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## **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)**

### **Fiscal Year 2009 Legislative Report**

This Fiscal Year 2009 Low-income Home Energy Assistance Program (LIHEAP) report with recommendations is submitted herein to the Joint Committee on Telecommunications, Utilities, and Energy of the Massachusetts General Court to comply with the reporting requirements outlined in the Chapter 169 of the Acts of 2008, AN ACT RELATIVE TO GREEN COMMUNITIES, SECTION 106, as,

*“the department of housing and community development shall make recommendations regarding what supplemental state funds, if any, shall be expended for the federal Low-income Home Energy Assistance Program, under 42 U.S.C. § 8621 et seq., for the purpose of assisting low-income elders, working families and other households with the purchase of heating oil, propane, natural gas, electricity and other primary or secondary heating sources; provided, however, that any recommended expenditures in addition to any federal funding shall be made in accordance with the state plan submitted by the department of housing and community development in accordance with the federal program. The recommendations shall include recommended funding levels and funding sources. The department of housing and community development shall submit its first report on its recommendations to the joint committee on telecommunications, utilities and energy not later than October 1, 2009, and shall file reports annually not later than October 1.”*

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## Executive Summary

In FY 2010, Congress is expected to match last year's historic high LIHEAP allocation of \$5.1 Billion, of which Massachusetts would be entitled to an initial allocation of approximately \$162 million.

Based on current market data, DHCD is anticipating relatively stable home heating prices in the upcoming 2009-2010 heating season. Although heating oil prices are expected to rise somewhat during the upcoming winter months, prices are unlikely to reach those seen in the summer of 2008. At the same time, prices of natural gas and electricity are expected to decrease. For example, "NStar announced [September 15, 2009] it plans to cut its price for natural gas this winter by 38 percent compared to last winter. The company submitted a proposed price of 77 cents per therm to the Department of Public Utilities, down from last winter's rate of \$1.24"<sup>1</sup>.

Finally, federal funding may continue beyond the initial allocation. The LIHEAP application caseloads, home heating price increases, and cold weather temperature may trigger additional allocations of federal emergency contingency funds.

## Recommended Supplemental Funding Levels and Sources

**Based on the anticipated federal LIHEAP appropriation amount in Fiscal Year 2010, and given the current state of the market factors, as well as other protections that have strengthened the home energy safety net for low income residents during the past year, a supplemental state allocation will be appropriate only if the federal funding or home energy fuel market outlooks change for the worse. If changes in those conditions warrant, DHCD will re-evaluate the program needs and offer further recommendations during the 2009-2010 heating season.**

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<sup>1</sup> September 18, 2009, <<http://www.southcoasttoday.com/apps/pbcs.dll/article?AID=/20090916/NEWS/909160337/-1/NEWSMAP>>

## **LIHEAP Service Delivery Structure**

This Division of Community Services (DCS) of DHCD is responsible for planning, implementing, and monitoring the delivery of federal and state anti-poverty, neighborhood economic development, fuel assistance, and weatherization programs across the Commonwealth, including the Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP is primarily a block grant program funded by the U.S Department of Health and Human Services (HHS). However from time to time, the Massachusetts General Court authorizes supplemental state funding toward LIHEAP.

LIHEAP is operated through a network of 22 local sub-grantee agencies. LIHEAP operators are required to maintain accessible intake sites, home visit capacity, general publicity, bilingual assistance for applicants, and use of existing networks to reach out target households. DHCD partners with the Massachusetts Energy Directors Association (MEDA), Massachusetts Association for Community Action (MASSCAP), Low-income Energy Assistance Network (LEAN) to maintain and enhance the current level of energy assistance to low-income Massachusetts customers. The program is viewed as a gateway to other energy related services in Massachusetts.

## **Program Year 2008 - 2009 Highlights**

During the past several winter heating seasons, especially between 2005 and early 2009, energy prices had been on the rise. The rising cost of heating oil and high utility prices disproportionately affect the low-income population of the Commonwealth. DHCD analysis shows that households with income below 100% of the Federal Poverty Level spend 56% of their income on housing and an additional 8.5% to 10% on home heating bill alone<sup>2</sup>. Almost 64,000 or 34% of all households served by LIHEAP lived at or below the federal poverty line in 2009. As it serves households with an average income of \$19,865<sup>3</sup>, LIHEAP assistance plays a critical role in freeing up income for other essential costs for many low-income Massachusetts residents, especially during the winter months.

Faced with rapidly rising energy prices and prospects for a home heating crisis, on July 23, 2008, Governor Deval Patrick, Senate President Therese Murray, and House Speaker Salvatore DiMasi launched the Winter Energy Costs Task Force. The Task Force, which consisted of five Cabinet secretaries and four members of the Legislature<sup>4</sup>, held public hearings across the state to gather input to prepare Massachusetts residents for high heating fuel costs. Senior members of DHCD staff participated in all five public hearings held in Springfield, Fall River, Haverhill, Worcester, and Boston. Information gathered from these public hearings played a vital role in putting forward policy recommendations to the senior members of the Patrick administration during the 2008-2009 heating season.

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<sup>2</sup> See Table 1: Energy Burden of LIHEAP Clients.

<sup>3</sup> Statewide average income of LIHEAP served households.

<sup>4</sup> <[http://www.mass.gov/?pageID=gov3pressrelease&L=1&LO=Home&sid=Agov3&b=pressrelease&f=100830\\_energy\\_task\\_force&csid=Ago v33](http://www.mass.gov/?pageID=gov3pressrelease&L=1&LO=Home&sid=Agov3&b=pressrelease&f=100830_energy_task_force&csid=Ago v33)>

In response to one of the Task Force recommendations, DHCD increased the LIHEAP income eligibility threshold to 60% of the estimated State Median Income. This decision also triggered increases in the income eligibility thresholds of two other major low-income energy initiatives – the heating system repair and replacement and the Department of Public Utilities (DPU) administered low-income utility discount rates program. Combined with the DPU’s annual utility termination protection, leveraging of private resources, and due to awareness created by the Winter Energy Costs Task Force, the LIHEAP network was able to avert any major home energy crisis during the past heating season.

It is estimated that the Massachusetts Fuel Assistance program on average reduced the energy burden<sup>5</sup> of program recipient households from 8.25% to 2.75% in 2009. Even though energy prices stabilized at the onset of the 2009 heating season and did not escalate as much as predicted, home energy remained unaffordable for most of the LIHEAP recipient households.

Due to a troubling economy as evidenced by the ongoing recession, particularly due to job loss and under-employment, the demand for LIHEAP assistance reached an unprecedented level. For instance, the total number of households who applied for heating assistance increased from 171,000 in Fiscal Year 2008 to 217,000 in Fiscal Year 2009 - a 27% increase from the previous fiscal year.<sup>6</sup> Approximately 68,000 households indicated that they were applying for fuel assistance for the first time during the 2008-2009 heating season.

As a result, in addition to utilizing state supplemental funding for LIHEAP for program year 2008-2009, DHCD took the following two specific measures to meet this growing demand for home heating assistance.

- (1) Increased the income eligibility threshold from 200% of federal poverty level to 60% of estimated State Median Income<sup>7</sup>.

As a result of this decision, the income eligibility threshold for a family of four increased from \$42,400 to \$53,608. This policy change allowed the Massachusetts LIHEAP network to serve an additional 21,924 households who would not have been otherwise eligible to receive LIHEAP assistance.

The following chart illustrates month-by-month trends of LIHEAP applications received through the 22 sub-grantee agencies.

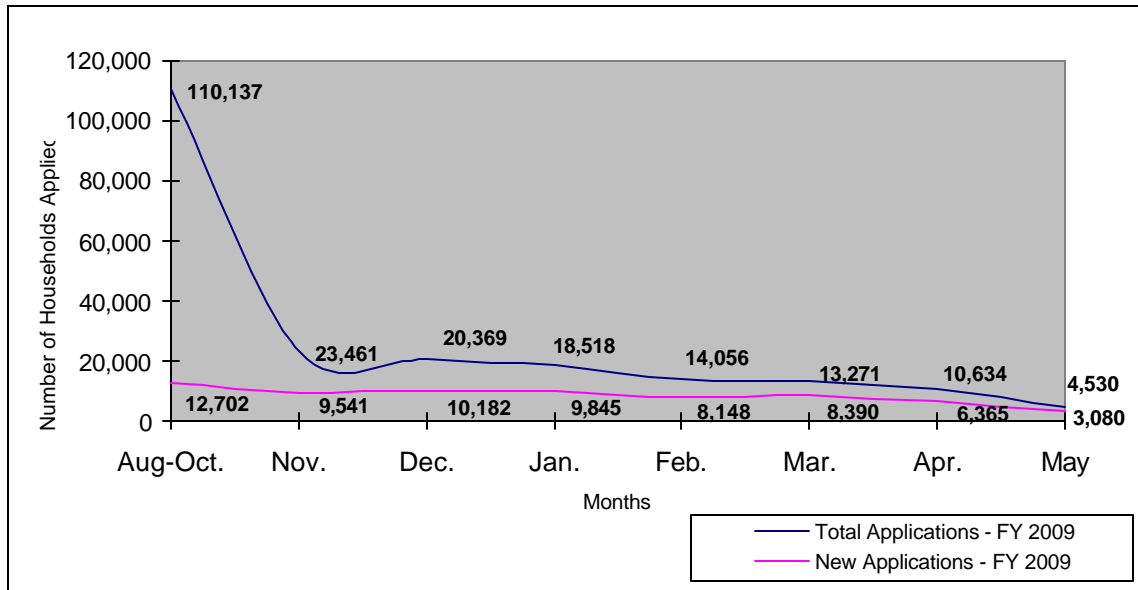
### **Chart 1: Fiscal Year 2009 LIHEAP Application Trends (Selected Months)**

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<sup>5</sup> Percentage of income spent on home heating.

<sup>6</sup> Total number of applications in Fiscal Year 2009, compared to Fiscal Year 2008. Source: DHCD LIHEAP year-to-date reports.

<sup>7</sup> The LIHEAP statute limits program eligibility to households with incomes up to 60% of estimated State Median Income and allows each state to determine its own eligibility criteria and benefit levels.



Note: LIHEAP application numbers are adjusted until October 30<sup>th</sup> to arrive at the final close out statistics. In order to ensure LIHEAP assistance, each year, most of the recipient households from the prior year reapply at the onset of the heating season.

- (2) A substantial increase in federal funding<sup>8</sup> allowed DHCD to set the maximum benefit level at \$1,495 per household.

Even though the LIHEAP benefit is based on a matrix in which the benefit gradually decreases as household income increases, in the 2008-2009 season the lowest benefit amount purchased close to 1.5 tanks<sup>9</sup> of heating oil. The benefit matrix ensures compliance with a federally mandated requirement that households with the lowest income receive the highest possible amount. The average benefit paid for all LIHEAP assisted households was close to \$1,000 per household. With an average heating bill<sup>10</sup> of about \$1,538 per oil customer, LIHEAP assistance on average covered about 68% of the oil heat recipient households' heating bills.

The cost of heat varies among heating types. For example, in Fiscal Year 2009, on average, a LIHEAP customer paid \$1,271 and \$1,560 for natural gas and electric heat respectively. On the other hand, propane was the most expensive type of home heating source in 2008-2009, with an average price being \$2,007 per LIHEAP assisted household.

In 2008-2009, a LIHEAP payment of \$1,000 supported a substantial portion<sup>11</sup> of these home heating bills. This was possible primarily due to significant increases in federal LIHEAP funding.

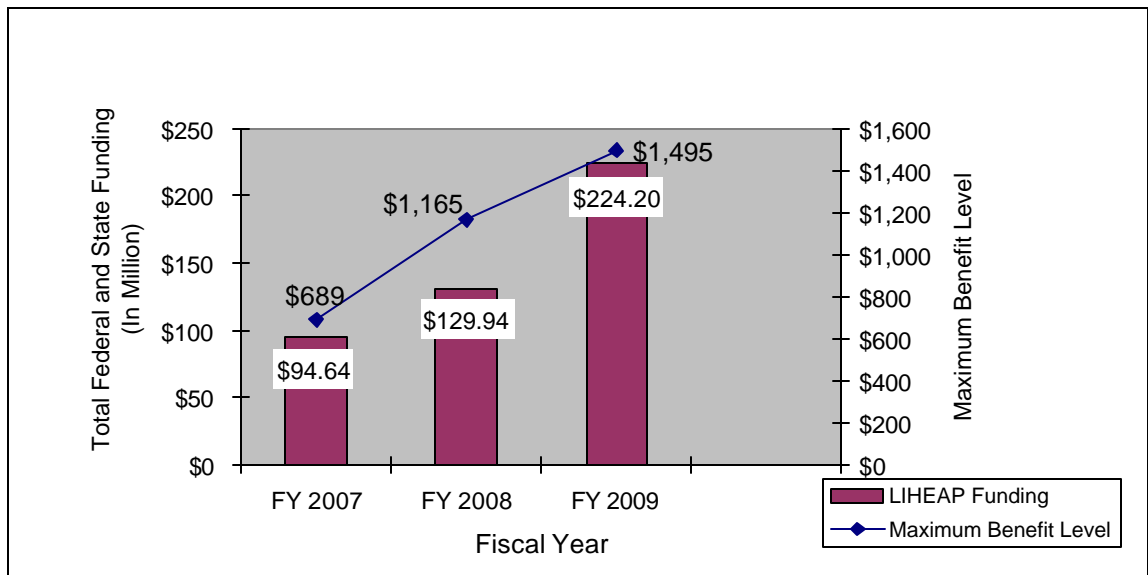
## Chart 2: LIHEAP Funding and Maximum Benefit (Fiscal Years 2007 - 2009)

<sup>8</sup> Funding increased by 86.34% in FY 2009, compared to FY 2008.

<sup>9</sup> Based on an average LIHEAP heating oil price of \$2 per gallon.

<sup>10</sup> During the past winter months, LIHEAP oil customers on average used 824 gallons of heating oil to heat their houses.

<sup>11</sup> See Table 1: Energy Burden of LIHEAP Customers.



Although about 95% of LIHEAP expenditures were supported by the federal block grant and emergency contingency funds, the state appropriation allowed DHCD to increase its existing benefit levels by about \$85 per household, or 5.6% of the maximum benefit and 8.5% of the average benefit. The federal block grant funding and the state appropriation together alleviated the energy burden of low-income residents in the following manner:

**Table 1: Energy Burden of LIHEAP Customers (by home heating source)**

Heating Source	Average Annual Household Income <sup>12</sup>	Average Cost of Heat <sup>13</sup>	Energy Burden <sup>14</sup> (Before LIHEAP Assistance)	Energy Burden (After LIHEAP Assistance)
Oil Heat	\$21,395	\$1,538	7%	2%
Natural Gas	\$19,540	\$1,271	7%	1%
Propane	\$19,806	\$2,007	10%	6%
Electric	\$17,604	\$1,560	9%	2%
<b>Average<sup>15</sup></b>	<b>\$19,586</b>	<b>\$1,594</b>	<b>8.25%</b>	<b>2.75%</b>

It is evident that during the 2008-2009 heating season, propane was the most expensive home heating source in Massachusetts. However, due to the limited number<sup>16</sup> of propane users, the high price did not make a significant impact on the overall energy burden of LIHEAP recipient households. Nevertheless, during the past heating season, LIHEAP payments significantly reduced the energy burden of oil, natural gas, and electric customers. It is widely accepted that

<sup>12</sup> LIHEAP certified income of served households.

<sup>13</sup> As reported by LIHEAP applicants or primary heating vendor.

<sup>14</sup> Heating costs divided by annual income.

<sup>15</sup> Based on these selected heating types only.

<sup>16</sup> See Table # 3: Heating Assistance (by home heating source).



an energy burden (percentage of income paid toward heating costs) of below 6% is considered affordable.

**Table 2: Heating Assistance (by home heating source)**

	Heating Oil	Natural Gas	Coal	Kerosene	Wood	Propane	Electricity	Other <sup>17</sup>
Percent of households served	28.24%	53.46%	0%	1.18%	0%	1.92%	8.99%	5.97%
Number of households served	52,563	99,484	43	2,213	351	3,580	16,739	11,115

### **LIHEAP Eligible Population**

At the onset of the fiscal year 2009 heating season, DHCD completed an analysis of LIHEAP eligible population in Massachusetts using census information from American Community Survey of 2007 and LIHEAP client demographic characteristics. This analysis revealed that there are about 1,200,000 individuals or 545,000 households in Massachusetts who could potentially be income eligible to apply for heating assistance. There are some exceptions however in terms of LIHEAP eligibility. For example, low-income tenants living in subsidized housing whose heat is included in rent and pay less than 30% of their income towards rent are not eligible for LIHEAP. Students who live in dormitories or college or university provided housing and other transient people such as individuals or households living in homeless shelters are not eligible to apply for LIHEAP assistance due to their housing situation. Many LIHEAP ineligible people however receive discounted rates from their utility companies by contacting a fuel assistance agency or their respective utility company. Many public benefit recipients are automatically enrolled in the discounted utility rate program.

During, the past heating season, 217,000 households or about 40% of the estimated income eligible<sup>18</sup> Massachusetts households applied for energy assistance. A total of 440,546 low-income individuals from 186,008 households or approximately 34% of the estimated income eligible Massachusetts households benefited from some form<sup>19</sup> of LIHEAP assistance.

**Table 3: LIHEAP Households Served and Available Benefits**

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<sup>17</sup> Includes households who heat their home with corn, wood pellets, and whose rent includes heat, also known as "heat-included" households.

<sup>18</sup> Households whose income is estimated to fall with the LIHEAP maximum income of 60% of SMI.

<sup>19</sup> With an average \$1,000 and a maximum benefit of \$1,495 respectively.

Income Levels <sup>20</sup> (Federal Poverty Level)	LIHEAP Served Households (FY 2009)	Percent of Total Households Served (FY 2009)	Maximum Benefit – homeowners and non-subsidized tenants	Maximum Benefit – subsidized housing tenants
Up to 75% of FPL	26,159	14%	\$1,495	\$850
76% -100% of FPL	37,502	20%	\$1,495	\$850
101% -125% of FPL	28,819	15%	\$1,315	\$750
126% -150% of FPL	27,974	15%	\$1,155	\$660
151% -175% of FPL	23,948	13%	\$1,015	\$580
176% -200% of FPL	19,758	11%	\$1,015	\$580
60% of State Median	21,928	12%	\$ 895	\$510
Total Served	186,088			

## Coordination of LIHEAP and Other Existing Resources

### Service Delivery Coordination

#### **Senior Benefit Expos**

Besides increasing the income eligibility threshold from 200% of federal poverty level to 60% of estimated State Median Income, DHCD, in partnership with other state agencies, such as the Department of Transitional Assistance, Department of Elder Affairs, State Fire Marshall's Office, and trade associations such as Massachusetts Association of Older Americans and the Massachusetts Energy Directors Association (MEDA), participated in statewide regional Senior Benefit Expo events and facilitated LIHEAP application process for many elders in partnership with the respective regional LIHEAP provider agency.

#### ***Keep Warm, Keep Safe***

Furthermore, LIHEAP program information was distributed during statewide winter heating events entitled, *Keep Warm, Keep Safe* sponsored by the State Fire Marshall's Office. At the same time, during DHCD's Annual LIHEAP Training Conference, many LIHEAP sub grantee staff were trained by the State Fire Marshall on the potential health and safety risks associated with heating system uses. These types of exchanges reduced barriers and allowed LIHEAP providers to cross train staff on issues relevant to the winter heating season.

## **The Massachusetts Housing Court Department Training**

The Massachusetts Housing Court Department judges and housing specialists often face with making eviction decisions due to non-payment of utility and other types of heating bills. In

<sup>20</sup> See Attachment 1, Fiscal Year 2009 Low-income Home Energy Assistance Program (LIHEAP) Maximum Income and Benefit Levels.

2009, the department requested DHCD to make a presentation to its staff about LIHEAP operational guidance and resources that are available each year to low-income Massachusetts residents. The State Fire Marshall and a representative from the privately funded *Joe for Oil* program also participated in the training.

### Leveraging of Non-LIHEAP Resources

The Massachusetts non-LIHEAP leveraging program includes resources provided by mostly private sources, such as investor-owned utility companies, non-profit organizations such as Salvation Army, the United Way of Massachusetts Bay, private foundations, local banks, and the Massachusetts Association for Community Action (MASSCAP). A few local government entities also provide funds to LIHEAP sub grantees to offer additional heating assistance to households who exhaust their LIHEAP benefit or are not otherwise eligible for LIHEAP assistance. DHCD is currently in the process of gathering leveraging information from the 2008-2009 heating season. During the previous heating season (2007-2008), the LIHEAP network leveraged a total of \$85.38 million in non-LIHEAP resources.

These resources included:

- Low-income Utility Discount Rates
- Weatherization Leveraging Funds
- United Way Good Neighborhood Energy Funds
- United Way Special Fund for Emergency Financial Assistance
- Local Fuel Funds, and
- The Margin-Over-Rack (MOR) oil heat program.

The DHCD-administered MOR program allows provider agencies to enroll heating oil vendors to deliver oil to low-income customers at a reduced price. During the 2008-2009 heating season, the LIHEAP program delivered 24.42 million gallons of heating oil to 52,563 low-income customers and saved<sup>21</sup> over \$8.5 million. The utility companies offered \$58.32 million in Low-income Discount Rates to about 268,000 low-income households and allocated \$21.96 million to Weatherization leveraging funds.

### **Current and Anticipated Funding Levels**

The following chart illustrates federal and state funding of LIHEAP for the last three fiscal years and projected federal and state funding levels for Fiscal Year 2010.

**Table 4: LIHEAP Federal and State Funding**

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<sup>21</sup> The difference between retail and MOR price.

Fiscal Year	Total Federal Allocations <sup>22</sup>	Percent changed from the previous year	Total State Appropriation	Percent changed from the previous year	Maximum LIHEAP Benefit	Percent Changed from the previous year
2007	\$ 94,643,310	-26%	\$ 0	0%	\$ 689	-34%
2008	\$114,944,390	23%	\$ 15,000,000	100%	\$1,165	69%
2009	\$214,196,440	86%	\$ 10,000,000	-33%	\$1,495	28%
2010 <sup>23</sup>	\$162,915,645	-23.94%	\$ 0	-100%	\$985	-34%

The Fiscal Year 2010 LIHEAP State Plan as submitted to U.S. Department of Health and Human Services (HHS) on September 1, 2009 includes an anticipated federal block grant allocation of \$111,500,000, which is based on the President's budget that provided \$3.2 for LIHEAP. Today, based on the current progress of the federal budget appropriation process, Massachusetts is expected to receive \$162,915,645 in a LIHEAP block grant under the final Congressional appropriation<sup>24</sup> of \$5.1 billion for Fiscal Year 2010. The total federal allocation for Massachusetts, though, may be significantly lower than the previous fiscal year due to uncertainty in the release of federal emergency contingency funds. During Fiscal Year 2009, DHCD received \$50,498,727 in emergency contingency funds; these funds will be released in FY 2010 only if HHS determines there are significant increases in oil prices or the advent of harsh winter weather in 2009 and early 2010.

### Recommended Supplemental Funding Levels and Sources

**Based on the anticipated federal LIHEAP appropriation amount in Fiscal Year 2010, and given the current state of the market factors, as well as other protections that have strengthened the home energy safety net for low income residents during the past year, a supplemental state allocation will be appropriate only if the federal funding or home energy fuel market outlooks change for the worse. If changes in those conditions warrant, DHCD will re-evaluate the program needs and offer further recommendations during the 2009-2010 heating season.**

<sup>22</sup> Includes federal LIHEAP block grant, emergency contingency, and Leveraging allocations for each year.

<sup>23</sup> Analysis is based on anticipated federal and state funding levels.

<sup>24</sup> The House and the Senate Appropriation Committee has recommended increasing the LIHEAP line item from \$3.2 billion to \$5.1 billion.

## **Appendices**

1. Fiscal Year 2009 Maximum Income and Benefit Levels  
<http://www.mass.gov/Ehed/docs/dhcd/cd/liheap/chart09.pdf>
2. Fiscal Year 2010 Maximum Income and Preliminary Benefit Levels  
<http://www.mass.gov/Ehed/docs/dhcd/cd/liheap/liheapincomeeligibilitychart2010.pdf>